

Unique Housing Challenges Face Rural America and Its Low-Income Workers

Compared with typical urban housing, housing in rural America is inferior in physical quality and size. While rural households spend a smaller share of their income on housing, they less often live in crowded conditions, and are more satisfied with their home and neighborhood. Low-income rural households that depend on employment earnings for most of their income are more likely to have housing difficulties.

Access to adequate and appropriate housing is a basic need for all U.S. residents. These housing needs and our abilities to satisfy them vary across the Nation. Rural communities, particularly those sparsely populated and in remote locations, are widely thought to be disadvantaged in their housing and housing finance markets. Similarly, in urban areas, the housing situation of central-city residents is typically inferior to that of suburbanites.

A basic tenet of U.S. housing programs, which has received more emphasis in recent years, is that promoting homeownership is an appropriate role for government. Quarterly Census Bureau surveys show that the homeownership share, which has been increasing in both rural and urban areas, reached a historic high of 67.7 percent in September 2000. This is up roughly 2 percentage points since 1997, when the American Housing Survey that is the basis for much of this report's material was conducted. Recent Federal initiatives to promote both rural and urban homeownership include home mortgage targets for Fannie Mae and Freddie Mac, increased flexibility given to housing authorities to support home purchase as an alternative to rental assistance, and greater Federal agency support for activities of nonprofit organizations, and State and local governments. While homeownership may be a positive step for many who do not own a home, access to affordable housing of acceptable quality is a more basic need for those whose current homes fail to meet minimum standards.

We used data from the 1997 American Housing Survey to investigate differences between nonmetro and metro housing. The definition of metro and nonmetro areas has been modified to reflect the reality of effective housing markets (see box, "Definitions"). While this rural/urban delineation is meaningful for investigating housing differences, keep in mind the great diversity of communities within these aggregations. We specifically focus on low-income households, the population most likely to have housing difficulties. We give special attention to those low-income households that largely depend on wage and salary income because, for most, increased earnings will make possible a better housing situation.

Rural and Urban Homes and Neighborhoods Often Differ

In 1997, 22 percent of the Nation's nearly 100 million households lived outside metro housing markets. While in some ways the housing situation of these rural households is

Definitions

Metro/nonmetro: For all material based on the 1997 American Housing Survey, we necessarily use the associated metro definition, which is from the official list of metro areas published June 27, 1983, by the Office of Management and Budget. All other material uses more recent OMB designations of metro areas.

Low-income: Household income of \$24,600 or less, which was 150 percent of the poverty threshold for a four-person family in 1997. This income threshold is roughly equivalent to that for participants in numerous government housing subsidy programs, including USDA's Single-Family Housing Program.

Wage-dependent: Wage or salary earnings account for at least half of annual household income.

much like that of urban households, in other ways it is quite different (see box, “Indicators of Housing Quality”).

Typical rural homes are smaller and less costly than urban homes. Rural households had median monthly housing costs of \$362 and a median of 1,500 square feet of living space (app. table 18). Corresponding urban medians were higher, \$599 and 1,750 square feet. Rural households were three times more likely than urban households to live in a mobile home, a less expensive housing alternative (fig. 1).

Urban homes often were more crowded, with nearly 8 percent deficient by this measure, compared with 6 percent for nonmetro homes. Rural homes were more likely to have

Indicators of Housing Quality

Physical quality: This index is widely used by the Bureau of the Census to identify housing units with significant physical problems. Severely inadequate homes were those with a severe physical problem in at least one of five categories: plumbing, heating, electric, upkeep, and hallways. Moderately inadequate homes had no severe problems, but had at least one moderate problem (such as no kitchen sink) in one of five categories: plumbing, heating, kitchen, upkeep, and hallways.

Expensive: Situations of high cost burden, where monthly housing costs were more than 30 percent of a household’s monthly income. Housing costs include all expenditures for mortgage payments (including contract or installment loans), rent, utilities, insurance, and taxes.

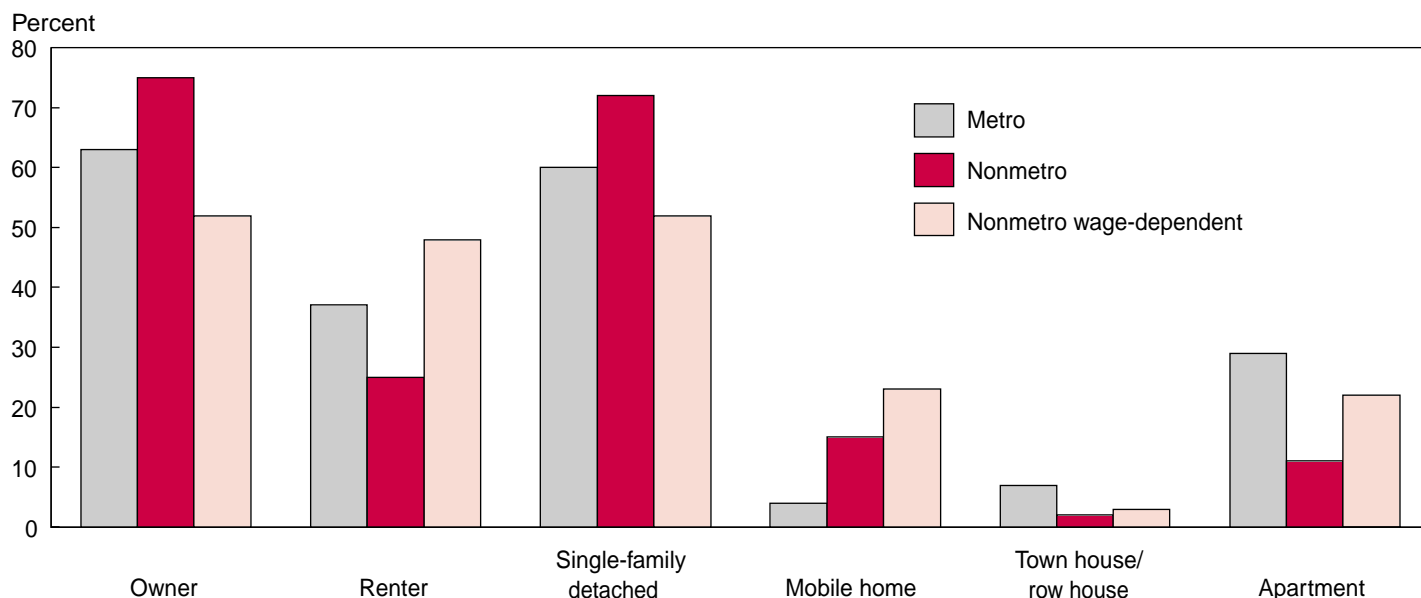
Overall quality: Householders rated both their residence and their neighborhood on a 10-point scale, with 1 the worst and 10 the best. These responses are reported here in three categories: 9 - 10 are “good,” 5 - 8 are “moderate,” and 1 - 4 are “poor.”

Crowded: Household members outnumber rooms in the housing unit.

Figure 1

Tenure and type of residence for metro, nonmetro, and nonmetro low-income wage-dependent households, 1997

Most homes are single-family detached, and mobile homes are a larger share of nonmetro homes, particularly for the wage-dependent



Source: Calculated by ERS from the 1997 American Housing Survey, HUD and Census Bureau.

either moderate or severe physical problems. By this measure, rural homes more often came up short, with over 8 percent deemed less than fully adequate, compared with under 7 percent of urban homes.

Housing costs as a percentage of income is used as a measure of affordability, with any amount over 30 percent considered problematic. The 30-percent limit, long used in Federal housing programs, is most often exceeded by urban households. The housing of 31 percent of urban households and 25 percent of rural households was deemed too expensive. When the affordability issue was addressed with higher thresholds, affordability problems continued to be more frequent in urban areas. Substituting a 50-percent threshold reduced the urban “expensive” share to 14 percent, and the rural share to 11 percent.

Rural residents were more positive about their homes and neighborhoods. When asked for their overall opinion on a 10-point scale, urban householders gave their homes and their neighborhoods lower marks than did rural householders. About 41 percent of urban and 45 percent of rural respondents gave “good” marks (either 9 or 10) to their home. The rural/urban gap in neighborhood satisfaction was much greater. Forty-nine of every 100 rural respondents gave their neighborhoods a good mark, 10 more than for urban respondents.

Nearly three-quarters of all rural households owned their homes, well above the 63 percent homeownership rate for urban households. This higher homeownership rate may be seen as a plus, but also reflects underlying causes that are less positive for rural communities. On average, rural households change residences less often than their urban counterparts—a characteristic favoring ownership. But, underlying factors may include lower rural job mobility, or greater difficulties selling rural residences. The rural homeownership rate may also be elevated by the rural population’s aging demographic profile, or a shortage of rental housing.

Nearly three of every four rural residences are conventionally built single-family homes. Detached homes of all types, including both conventional and mobile homes, total 87 percent of rural and 64 percent of urban homes. Three of 10 urban households live in an apartment, compared with 1 of 10 rural households.

Between 5 and 6 percent of both rural and urban householders reported receiving government housing assistance. These figures exclude the mostly middle-income homeowners with market-rate FHA- and VA-insured home mortgages, since they involve little or no subsidy. Recipients of government housing assistance often get substantial subsidies from Federal, State, or local sources, through rental assistance or reduced-interest-rate home mortgages.

Rural Low-Income Housing Problems Are Greater for the Wage-Dependent

Housing is a basic need, with low-income households more likely to have difficulty finding acceptable housing that is also affordable. Of the Nation’s 22 million nonmetro households, nearly 10 million, or 45 percent were “low-income” by our 150 percent of poverty definition (see box, “Definitions”). Nearly 4.3 million of these low-income nonmetro households received at least half of their income from wage and salary earnings. Most of these “wage-dependent” households had little or no additional income.

Wage-dependent rural householders were much younger than other low-income householders. Nearly two-thirds were younger than 40, compared with only 13 percent of other low-income householders. And, two-thirds of other low-income householders were elderly, 10 times the elderly share of wage-dependent householders. Since wage-dependent householders were much younger, many more had young children. Single parents and married couples with children totaled over 47 percent of all wage-dependent rural households, more than three times their share of other low-income households.

Compared with other low-income rural households, the wage-dependent were more likely to have housing difficulties. Excessive housing costs, crowding, moderate physical inade-

quacies, and lower satisfaction with home or neighborhood were all more frequent for these wage-dependent households. However, the incidence of severe physical inadequacies is similar for wage-dependent and other low-income households.

At first, the poorer housing of these wage-dependent households may be surprising, given their typically higher housing expenditures and incomes near the upper end of the low-income range. Adding to this phenomenon of spending more and receiving less, the homes of low-income wage-dependent households were also typically smaller and lower valued.

Major factors behind this conundrum are wage-dependent households' greater propensity to live in mobile homes (see subsequent discussion in this article), and to be either renters or relatively new homeowners. With a few exceptions, such as the small proportion of renters that receive government subsidies, renters' housing costs reflect recent market prices.

On the other hand, the housing expenses of most homeowners are partially determined by the length of time they have owned a home. Mortgage payments of long-time homeowners were likely well below those of recent purchasers, and the current values of their homes were often determined by their income, inflation (or deflation) in home prices, and housing prices at some earlier date. Most often, youthful wage-dependent households lack the advantage of accumulated home equity, which is enjoyed by a substantial share of other low-income rural households. In consideration of these factors, housing statistics are calculated separately for renters, all homeowners, and homeowners that have a mortgage on their home (app. table 19).

While half of all wage-dependent homeowners had a mortgage on their home, only 20 percent of other low-income rural owners did. Homeowners with a substantial mortgage payment relative to their income can afford less house than can those with low or no mortgage payments. The result is that they live in a less expensive home, face higher housing expenses, or have a combination of less house and higher expenses.

By all of the indicators, rural low-income homeowners had better housing than did renters, whether or not they were wage-dependent. Although the incomes of renters were lower than those of owners, their housing expenses were typically higher. Half of wage-dependent households and three-fourths of other low-income households were homeowners. Thus, some of the higher incidence of housing difficulties among wage-dependent households can be attributed to their greater propensity to rent. But there is more to this story. Comparing owners with owners and renters with renters, wage-dependent rural households still had worse housing than did other low-income households by most measures (fig. 2). Low-income wage-dependent households were less likely to spend an excessive share of their income on housing, only because the incomes of other low-income households were typically much lower.

Whether they owned or rented, wage-dependent households were nearly twice as likely as other low-income rural households to live in a mobile home. Over 31 percent of the residences owned by low-income wage-dependent households were mobile homes. Compared with conventionally constructed homes, mobile homes are likely to combine lower home values with higher monthly housing costs. Monthly costs of mobile homes can be higher despite a lower purchase price because they are typically financed at higher interest rates over a shorter repayment period. Additionally, mobile homes are often located on rented sites, adding another component to monthly housing costs.

Wage-dependent households received government rental housing assistance much less often than did other low-income households. Only 8 percent of wage-dependent renters got such assistance, compared with nearly 20 percent of other low-income renters. This relationship was reversed for homeowners, where wage-dependent homeowners, in total and for only those with mortgages, were the most likely to have received government housing assistance. About one of every six wage-dependent households with a mortgage, and one in nine of their other low-income counterparts, received such a subsidy on their home. Most housing assistance to low-income homeowners is provided by preferential

Figure 2

Physically inadequate and crowded homes of low-income nonmetro households, by tenure and wage-dependency

Housing conditions of renters are worse than those of owners, while mortgaged homes are in better condition but often more crowded



Source: Calculated by ERS from the 1997 American Housing Survey, HUD and Census Bureau.

conditions on home mortgages, meaning that those without a home mortgage would have little opportunity for such assistance.

Housing Issues for Wage-Dependent Households Require Different Solutions

Assessment of how rural housing compares with housing in the rest of the Nation depends on the indicators chosen. The housing problems of low-income rural Americans, however, are often more severe for those who depend mainly on wage and salary earnings. Compared with other low-income rural households, wage-dependent households lived in residences that had more physical problems, were more often too small for their family size, and provided an overall quality of home and neighborhood with which they were less satisfied. Fewer wage-dependent households owned their home, and when they were owners, their residences were more often mobile homes, were typically smaller with lower values, and entailed higher monthly expenditures.

An initiative to promote mobile home loans with terms more comparable to those on other home purchase loans could help the housing situation of many low-income wage-dependent rural households. Programs to assist these households should also recognize important demographic differences from those of other low-income households. Wage-dependent householders tended to be younger and belong to a minority group. Their households more frequently included children and had at least two members. Finding ways to better meet the housing needs of these households is important to the present and future of rural America. [James Mikesell, 202-694-5432, mikesell@ers.usda.gov, and George Wallace, 202-694-5369, gwallace@ers.usda.gov]